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Statement on

S.B. 265 (Raised): AN ACT CONCERNING LIMITS ON FLOOD INSURANCE POLICIES

SUPPORT

Submitted to the Planning and Development Committee
March 7, 2014

By James Heckman, Government Affairs Director
Connecticut REALTORS®

This testimony by Connecticut REALTORS® is in support of SB 265, AN ACT CONCERNING LIMITS ON FLOOD INSURANCE POLICIES. This legislation would prohibit mortgage lenders from requiring homeowners to obtain flood insurance coverage in excess of the amount of the mortgage loan.

This proposal is designed to grant relief to homeowners who are holding mortgages lower than the value of their home or who have already paid a portion of their initial mortgage by not requiring them to purchase flood insurance on their property for an amount larger than the balance of their mortgage. Since the federal flood insurance program is designed to protect the lender from loss, it is only logical that the amount of the federal flood insurance policy the mortgagor obtains not be required to be more than the amount owed on the property. Forcing the mortgagor to make this additional purchase could dramatically increase the cost of the insurance premiums, which may make the property absolutely unaffordable to the buyer, and we believe would be unfair. Any buyer who would like insurance coverage in excess of the actual mortgage amount could still voluntarily opt for that additional coverage. Federal flood insurance (NFIP) only provides up to \$250,000 in coverage so any lender requirement over that amount would be outside of the federal flood insurance program and require the property owner to go into excess lines of coverage, which is exceedingly costly.

Flood insurance premium costs threaten to destroy the affordability of properties near almost any body of water in Connecticut. We applaud the authors of this legislation who are taking steps to identify any possible

ways to reduce premium costs for Connecticut real estate sellers and buyers, while providing necessary protections.

Connecticut REALTORS® represents over 15,000 members involved in all aspects of real estate in Connecticut. For this reason, the Connecticut REALTORS® ask for your support this proposal.

Thank you for your attention and support of this important matter.